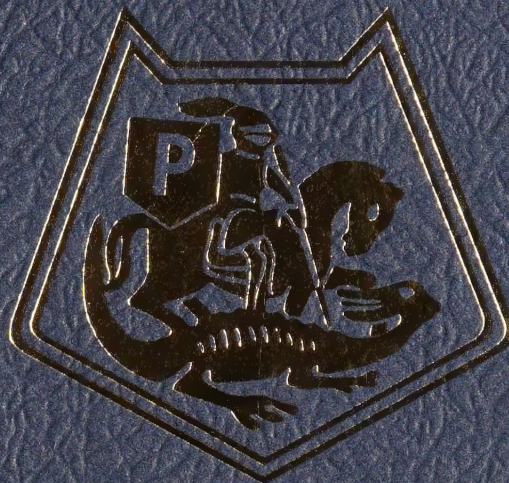


AR06

PRINCIPAL GROUP LTD. 1982

1982



PRINCIPAL GROUP LTD.

ANNUAL REPORT



Francis G. Winspear, C.M., C.F.P.[®]
Faculty of Business
University of Alberta

PRINCIPAL TRUST

*Investing for the future
can be an exciting adventure.*

Like planning a trip.

*And charting a sensible route
is smart planning.*

Our Consultants work with investors.

*Plotting the best itinerary
for their financial travels.*

Based on investment.

Time. Destination. And costs along the way.

*That's the basis of Principal's formula
for successful investment.*

Destination-based planning.

*Helping our clients travel a well-charted route
to financial freedom.
And independence.*

TOTAL ASSETS

Under
Administration

\$ 627,800,000

Faculty of Business
Administration & Commerce
428 Central Academic Building
The University of Alberta
EDMONTON, Alberta T6G 2G1

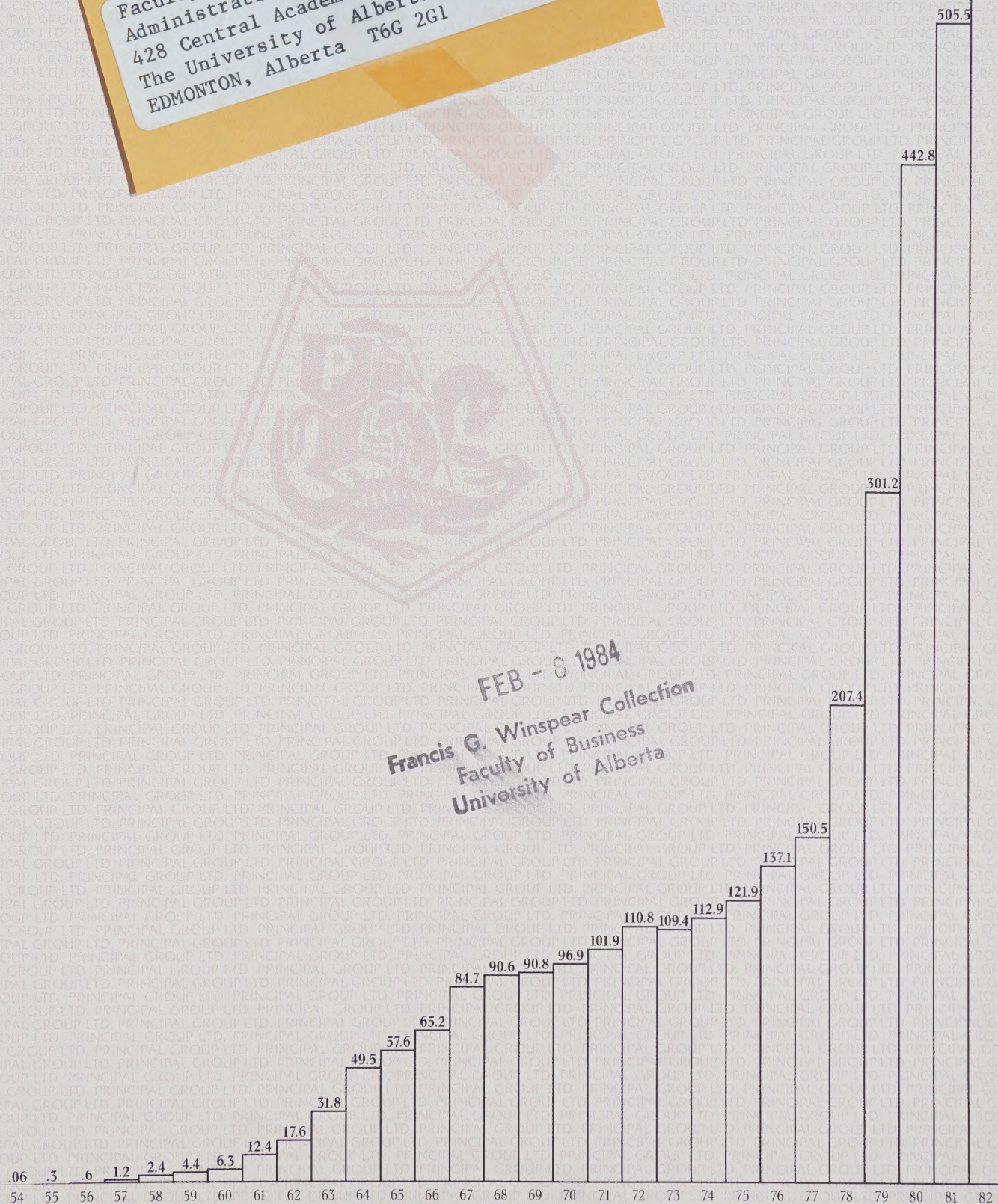


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Francis G. Winspear Collection
Faculty of Business
University of Alberta

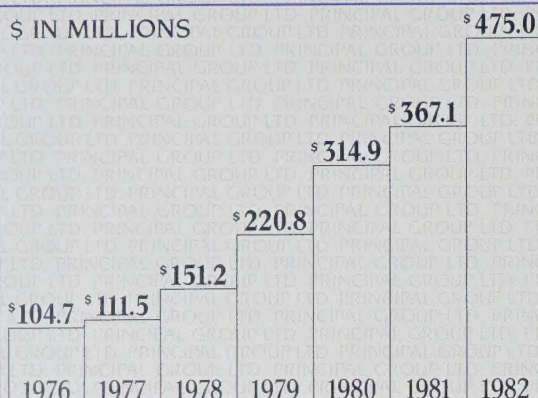
\$ in Millions

\$ 627.8



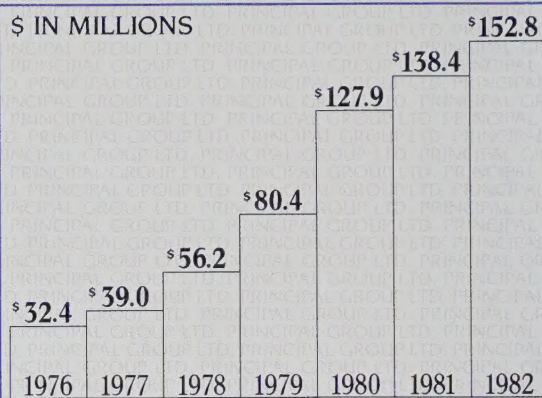
CONSOLIDATED ASSETS

\$ IN MILLIONS



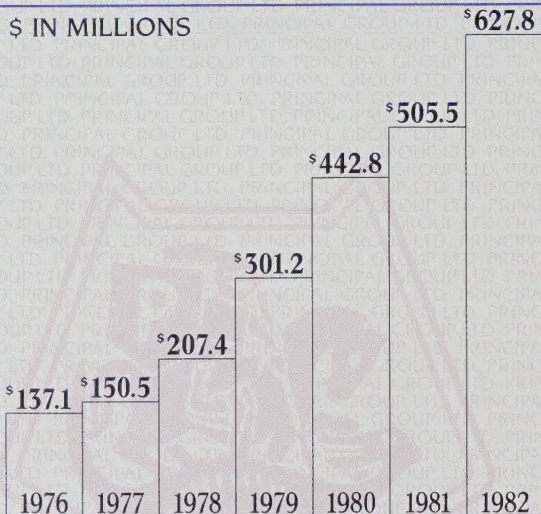
MANAGED ASSETS

\$ IN MILLIONS



TOTAL ASSETS UNDER ADMINISTRATION

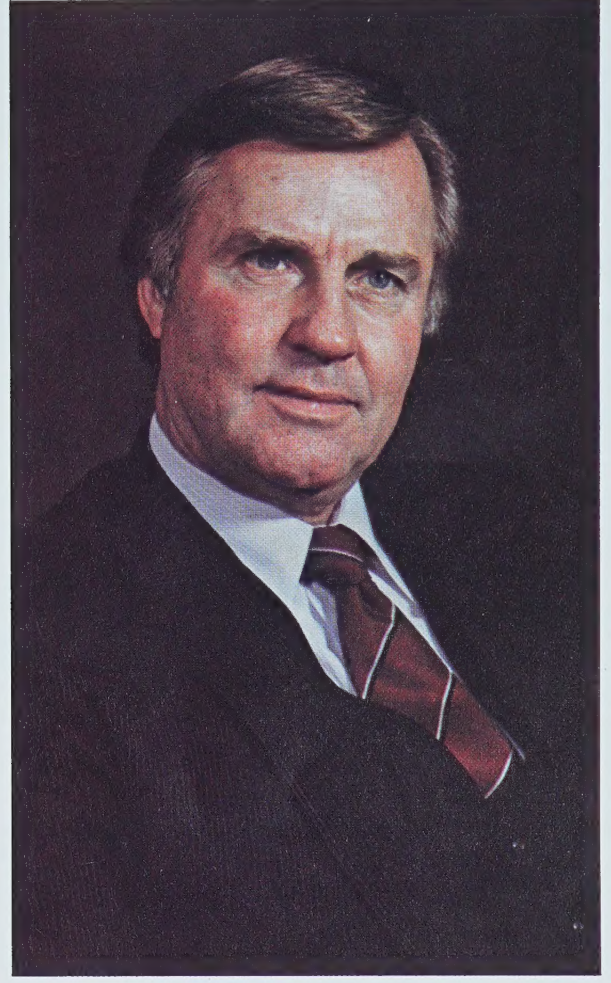
\$ IN MILLIONS



AVERAGE INVESTMENT MIX OF PRINCIPAL GROUP LTD.'S CONSOLIDATED ASSETS FOR THE PAST SEVEN YEARS.

	7 YEAR AVERAGE	1982	1981	1980	1979	1978	1977	1976
LIQUID CASHABLE ASSETS.	7%	11%	4%	6%	10%	11%	3%	4%
	8%		12%	8%	6%	6%	8%	8%
REAL ESTATE AND OTHER ASSETS.		11%						
SAFE-FIXED INCOME INVESTMENTS	47%		47%	39%	40%	42%	54%	57%
		50%						
MORTGAGES AND SECURED LOANS.								
COMMON AND PREFERRED SHARES.	12%		14%	16%	15%	12%	8%	9%
		8%						
HIGH-YIELDING, CASHABLE INVESTMENTS	26%		23%	31%	29%	29%	27%	22%
		20%						
GOVERNMENT OF CANADA BONDS AND CORPORATE BONDS.								

THE CHAIRMAN'S PERSPECTIVE



Donald M. Cormie

Chairman and President Principal Group Ltd.

DONALD M. CORMIE, Q.C.

HIGHLIGHTS

Principal continued to grow in 1982, despite the adverse economic climate. Total assets under administration increased 24.2 per cent to \$627.8 million. The company's compound annual growth rate since its inception in 1954 has been 37.6 per cent.

Consolidated assets rose 29.4 per cent to \$475.0 million. Managed assets increased 10.4 per cent to \$152.8 million.

ANALYSIS OF GROWTH

Principal's growth is the result of four factors: 1) our strategic planning; 2) our management team; 3) experienced investment management; 4) marketing and technological innovation.

Strategic Planning



INVESTMENT MANAGEMENT FOR PROTECTION FIRST, GAIN SECOND

Principal's ability to withstand an adverse economic environment is a result of our long-term strategy of having a balanced approach to ensure preservation of capital. Protection first, gain second is the basis of our strategy and is what we recommend to our clients. In other words, we practise what we preach. The balanced investment plan we recommend includes liquidity, safety, growth and protection as part of an overall strategy aimed directly at reaching long-term goals and objectives.

A balanced approach provides protection of the company's assets, while providing excellent opportunities for growth. It enables a person or corporation to think in terms of long-term gain and not short-term windfalls.

Marketing and Technological Innovation

We believe in corporate planning based on solid economic research. With Principal's 29 years of experience, we have become leaders in analyzing economic trends and financial markets. Based on our research, we believe we have seen the beginning of a stock market boom of major proportions. This has allowed us to chart a sensible course to best meet our established objectives.

Successful Management Team

The second factor is our management team. Skilled financial management is one of the cornerstones of Principal's outstanding success. We have been able to blend a team of seasoned veterans with young, highly skilled and aggressive professional managers.

The fourth factor is the company's dedication to innovation. Only through innovation can we expect to compete effectively and serve our clients properly in an increasingly sophisticated world.

In 1982, we introduced our Automated Teller Machines (ATMs) which are unlike any others in the market today. Clients can not only access their chequing and savings accounts, they can also purchase, redeem and make inquiries on their mutual fund shares. Principal's ATM, thus, offers stock market investments which provide the highest form of liquidity in the market today.

This service can be combined with Principal's Cash Management Card and the Automatic Loan system to provide a complete package that allows our clients to manage their money efficiently and profitably.

This union of marketing knowhow and technological innovation will continue to give Principal the edge it needs to better serve our clients.

INVESTMENT PERFORMANCE

Our three stock investment funds have substantially outperformed the Toronto and New York markets over the last eight years. Principal Venture Fund Ltd. has increased 521.9 per cent since December 31, 1974. Principal Growth Fund and Collective Mutual Fund Ltd. have increased 249.8 per cent and 342.3 per cent respectively in the last eight years.

I am extremely proud of our investment performance. I am confident in Principal's ability to capitalize on the stock market boom we see ahead.

SALES GROWTH

Principal's ability to provide expert financial consulting, high performing investment funds, a wide range of chequing and savings vehicles, and high yielding, fixed interest products in our financial centres has resulted in considerable public acceptance of our products.

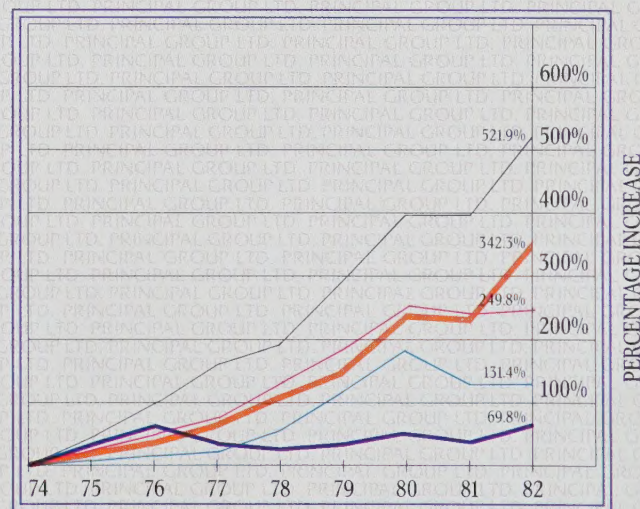
In 1982 sales totalled \$233.5 million, another record. Since 1974 cash sales have increased an astonishing 3385.1 per cent. There is no doubt that the public has become aware of the benefits of investing their money with Principal.

PROSPECTS

In anticipation of the period of unparalleled prosperity we see ahead, we have registered two new mutual funds and three new investment certificates in the United States through our associated companies there. We think it is time to transfer the expertise we have developed here in Canada to the U.S. market. We have refined marketing and investment concepts that are well suited to that market. We are now actively expanding in the largest market in the world.

We are entering what could be one of the most exciting financial decades in history. Our strategy has been carefully constructed. We have built a team of experienced and progressive managers. Principal is poised to capitalize on the opportunities we see ahead for the benefit of our clients as we help them achieve the financial freedom that is so important for their future.

8 YEAR COMPARATIVE PERFORMANCE
(Including Reinvested distributors or dividends for all funds)



- Principal Venture Fund Ltd.
- Collective Mutual Fund Ltd. (Fiscal year Nov. 30, 1982).
- Principal Growth Fund.
- Toronto Stock Exchange Composite Index.
- Dow Jones Industrial Index.

PRINCIPAL FINANCIAL CENTRES

Reaching freedom through convenience

Investors have the opportunity to reach their financial destinations through the convenient, one-stop services
Principal Financial Centre.

THE TOTAL MONEY SERVICE

Principal is able to offer our clients the advantages of a full range of financial services with some of the highest interest rates and some of the best performing investment funds in Canada. For utmost convenience and efficiency, complete money management services are provided under one roof with our new concept — the Principal Financial Centre.

The Principal Financial Centre is a unique approach in helping people manage their money to reach their financial goal. It is a concept that allows Principal to bring the techniques of professional money management to the public.

Principal has all the investment products to allow our clients to achieve their financial objectives through our unique Total Money Service. This service includes our four investment funds, term certificates, term deposits, no charge chequing accounts, daily interest savings accounts, automatic teller machines, automatic loans and Principal Cash Management Account.

Principal has 12 full service financial centres and 37 sales offices across Canada.

Personalized Financial Consulting

At our financial centres, Principal offers personalized investment consulting at no charge. Our 200 financial consultants understand and respect the needs of the investing public. These consultants are available to our clients on a confidential basis, on all aspects of financial and tax planning.

Principal's financial consultants can help investors achieve financial independence by helping them to set objectives with proper planning, based on their goals or destination. Clients are advised on alternative investment opportunities suited to their specific needs.

Expert Resources

Our consultants' advice is backed by the expertise of our investment, tax and legal departments. Principal's investment department is constantly formulating investment strategies based upon the current economic environment and future trends, and what those trends indicate to be the most profitable opportunities of the future. With Principal's experience in analyzing economic trends, we have been able to produce excellent returns for our clients and the company.

Today's tax laws provide a tremendous opportunity for investors to reduce their taxes. Principal's legal and tax departments ensure that our consultants can help capitalize on every opportunity permitted by provisions in our tax laws.

Full Range of Investment and Tax Deferral Vehicles

Principal investment vehicles may be combined with programs allowing investors to maximize their tax savings. These tax planning vehicles include registered retirement savings plans, deferred annuities, registered home ownership savings plans, and family trusts.

PRINCIPAL TRUST:

Freedom through Innovation

Principal Trust continues to grow by offering products and services that give its clients the freedom to manage their money conveniently and efficiently.

Principal Savings and Trust Company is an Alberta incorporated trust company founded in 1965. Its wide range of trust and fiduciary services include no charge chequing, daily interest savings accounts, term deposits, registered retirement savings plans, VISA, Automatic Teller Machines, loans and the Principal Cash Management Account. The company has twelve branches across the country: Victoria, Vancouver, Coquitlam, Surrey, Calgary (2), Kelowna, Edmonton (2), Regina, Halifax and St. John's.

Principal Trust also acts as the trustee for all Principal Group's RRSP products, including Principal Growth Fund and Principal Bond Fund. The company is a member of the Canada Deposit Insurance Corporation, the Trust Companies Association of Canada and the Association of Alberta Trust Companies.

HIGHLIGHTS

Under the leadership of President John M. Cormie, Principal Trust continued to set new milestones in growth in 1982. Net income increased to \$217,180 from a loss of \$283,982 in the previous year.

Total corporate assets increased 22.0 per cent from \$103.2 million to \$125.9 million. Managed assets increased 6.9 per cent from \$82.5 million to \$88.2 million. Total assets under administration increased 15.3 per cent from \$185.7 million to \$214.1 million.

Marketing and Technological Innovation

Principal Trust's growth is primarily the result of two factors. The first is marketing innovation. The second factor is technological innovation.

The company's innovation is based upon its analysis of what the public wants today — the ability to manage their money and investments conveniently and efficiently. People want to have cash readily available whenever a good investment or the need presents itself.

In keeping with this demand, Principal has developed a system which allows its clients to manage their funds in one convenient account, the Total Money Services Account.

Now clients can manage all their investments with the convenience once only associated with savings accounts. Interest payments, maturities, and mutual fund redemptions can be deposited directly into a client's chequing or savings account. No longer do they have to suffer the inconvenience of the postal system.

New Automated Teller Machines (ATMs) are additional benefits of the Cash Management Account. In 1982 Principal introduced a unique service — mutual funds offered through the ATMs. In addition to mutual fund transactions across the counter, Principal's ATMs offer a stock market investment which provides the highest form of liquidity in the market today.

This liquidity can be combined with the Cash Management Account and the company's automatic loan system to provide "Total Money Service." With the automatic loans, clients can borrow up to 70 per cent of the value of their investments without any credit checks or delays. The company offers its clients an instant credit line on its term deposits and investment funds.

Just as the company's marketing approach is unique, so is the structure of its branches. The key to Principal's ability to operate low cost branches is primarily due to the company's on-line computer system — the GEAC 8000. This Canadian manufactured computer has provided the company with the ability to link all its branches together and have access to all of Principal Group's products, thus providing clients with multi-branch and multi-product servicing.

This low cost approach to producing services allows the company to be more competitive with its term deposits, term certificates and savings accounts.

Principal Trust is organized for rapid expansion. The company will continue to capitalize on its formula for service by implementing new ways of providing the best financial services for its clients' financial needs.



Halifax



Regina



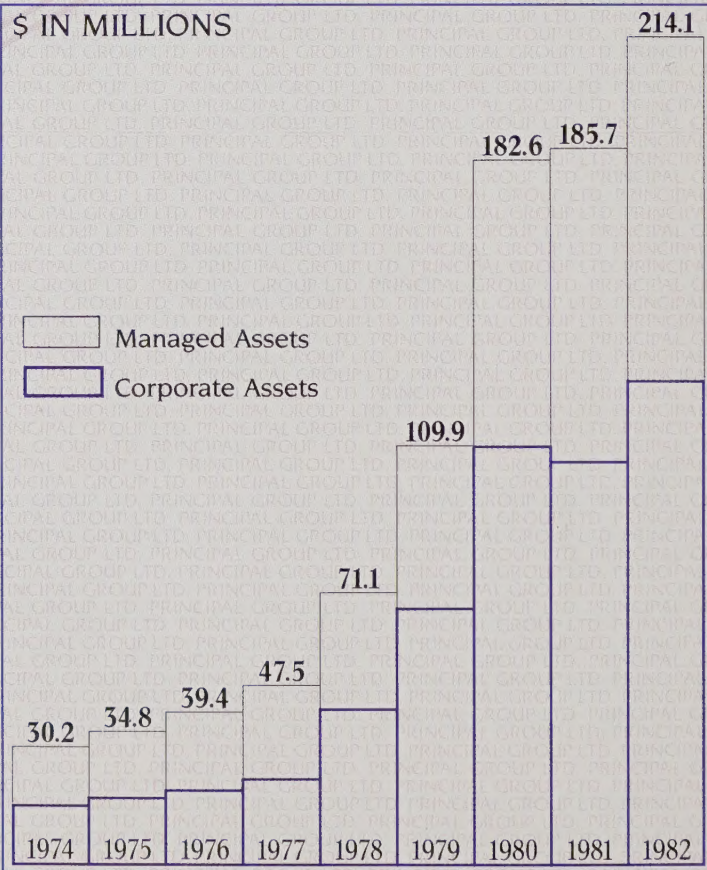
Regina

TOTAL ASSETS UNDER ADMINISTRATION

Principal Trust

\$ IN MILLIONS

Managed Assets
Corporate Assets



PRINCIPAL GROUP LTD.

REPORT AND CONSOLIDATED

FINANCIAL STATEMENTS

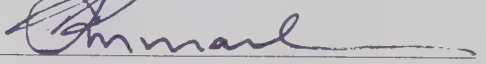
DECEMBER 31, 1982

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1982

	1982	1981
ASSETS		
Cash and short term deposits	\$ 51,945,000	\$ 14,610,000
Securities (Note 2)	133,026,000	138,271,000
Mortgages and secured loans	237,979,000	174,118,000
Properties held for resale	14,540,000	5,076,000
Investment in and advances to affiliates and mutual funds	957,000	921,000
Due from parent company (Note 3)	21,606,000	18,205,000
Accounts receivable and other assets	2,316,000	4,012,000
Fixed assets (Note 4)	6,948,000	6,269,000
Excess of cost of investment in subsidiaries over acquired equity in net assets	5,697,000	5,653,000
	<u>\$ 475,014,000</u>	<u>\$ 367,135,000</u>

On behalf of the Board


Director


Director

	1982	1981
--	------	------

LIABILITIES

Certificate liabilities		
Instalment savings certificates	\$ 24,923,000	\$ 29,034,000
Additional provisions for instalment certificate maturities	1,649,000	1,551,000
Single payment certificates	266,785,000	190,500,000
	<u>293,357,000</u>	<u>221,085,000</u>
Other liabilities		
Guaranteed investment certificates and savings deposits	113,936,000	93,508,000
Accounts payable and accrued liabilities	1,745,000	2,764,000
Notes and mortgages (Note 5)	<u>54,092,000</u>	<u>32,726,000</u>
	<u>169,773,000</u>	<u>128,998,000</u>
Deferred income taxes	<u>1,285,000</u>	<u>1,537,000</u>
Minority interest	<u>625,000</u>	<u>702,000</u>
	<u>465,040,000</u>	<u>352,322,000</u>

SHAREHOLDERS' EQUITY

Capital stock (Note 6)	5,700,000	5,700,000
Reserve for redemption of first preferred shares	750,000	700,000
Retained earnings	3,524,000	8,413,000
	<u>9,974,000</u>	<u>14,813,000</u>
	<u>\$ 475,014,000</u>	<u>\$ 367,135,000</u>

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1982

	1982	1981
Revenue		
Investments	\$ 59,834,000	\$ 48,756,000
Management and other fees	3,728,000	3,402,000
	<u>63,562,000</u>	<u>52,158,000</u>
Expenses		
Interest	56,916,000	42,356,000
Operating	11,311,000	9,244,000
	<u>68,227,000</u>	<u>51,600,000</u>
Income (loss) before recovery of income taxes	(4,665,000)	558,000
Recovery of income taxes	166,000	221,000
Net income (loss) before interest of minority shareholders	(4,499,000)	779,000
Minority interest	22,000	(2,000)
Net income (loss) for the year	(4,477,000)	777,000
Retained earnings, beginning of year	8,413,000	8,178,000
	<u>3,936,000</u>	<u>8,955,000</u>
Deduct		
Dividends	337,000	337,000
Appropriation to reserve for redemption of first preferred shares	50,000	50,000
Provision for refundable income taxes	25,000	155,000
	<u>412,000</u>	<u>542,000</u>
Retained earnings, end of year	<u>\$ 3,524,000</u>	<u>\$ 8,413,000</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1982

	1982	1981
Source of funds		
Proceeds from sale of fixed assets	\$ 2,000	\$ 13,000
Proceeds from sale of securities	59,605,000	91,974,000
Principal payments on mortgages and secured loans	32,256,000	27,242,000
Proceeds from notes payable	61,765,000	39,440,000
Advances from parent and affiliated companies	—	1,814,000
Investment certificate deposits	232,892,000	180,682,000
Savings and chequing deposits, net	10,443,000	31,000
Corporate income tax refunds	665,000	—
	<u>397,628,000</u>	<u>341,196,000</u>
Application of funds		
To operations		
Net income (loss) for the year	(4,477,000)	777,000
Deduct non-fund items	3,746,000	5,303,000
Funds applied to operations	8,223,000	4,526,000
Purchase of securities	48,420,000	73,617,000
Mortgage and secured loan advances	83,108,000	72,165,000
Investment certificate redemptions	174,096,000	141,018,000
Savings and chequing withdrawals, net	—	8,674,000
Advances to parent and affiliated companies	2,025,000	—
Corporate income taxes	—	511,000
Purchase of fixed assets	1,519,000	4,129,000
Principal repayments on notes and mortgages	40,289,000	35,162,000
Dividends	337,000	337,000
Purchase of mutual fund and subsidiary shares	346,000	—
Other	1,930,000	1,868,000
	<u>360,293,000</u>	<u>342,007,000</u>
Increase (decrease) in funds	37,335,000	(811,000)
Cash and short term deposits, beginning of year	<u>14,610,000</u>	<u>15,421,000</u>
Cash and short term deposits, end of year	<u>\$ 51,945,000</u>	<u>\$ 14,610,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1982

1. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include the following:

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and the following subsidiaries:

- Associated Investors of Canada Ltd.
- First Investors Corporation Ltd.
- Principal Savings and Trust Company
- Principal Life Insurance Company of Canada
- Principal Securities Management Limited
- Principal Consultants Ltd.
- Principal Service Inc.
- Mercer & Williams Agency Ltd.

The accounts of the mutual funds managed by the Company and its subsidiaries are not consolidated as net income accrues to the mutual fund shareholders or unitholders. The managed mutual funds are as follows:

- Collective Mutual Fund Ltd.
- Principal Venture Fund Ltd.
- Principal Growth Fund
- Principal Bond Fund

The investment in affiliates and mutual funds is recorded at cost.

(b) Securities

Government and corporate bonds are recorded at amortized cost plus accrued interest. Stocks are recorded at cost plus accrued dividends less provision for losses where the decline in market value is determined to be permanent.

(c) Mortgages and secured loans

Mortgages are recorded at amortized cost, which includes amounts advanced, interest capitalized and accrued, taxes and other charges, less repayments, unamortized mortgage discounts and allowance for anticipated losses. Mortgage discounts are amortized over the term of the applicable mortgages.

Loans are recorded at cost, which includes amounts advanced and interest accrued, less repayments and allowance for anticipated losses.

1. Summary of significant accounting policies (continued)

(d) Properties held for resale

Properties held for resale are valued at the lower of cost or market value.

(e) Depreciation and amortization

Depreciation and amortization is provided over the estimated useful lives of the depreciable assets using the straight-line method.

(f) Certificate liabilities

Certificate liabilities represent investment certificates which entitle the holders to receive a specified sum of money at maturity. A major portion of the payments made by certificate holders is added to certificate liabilities and the balance is distribution fee income. The portion of the certificate payments added to certificate liabilities, when combined with the interest compounded at government approved rates, will accumulate to equal the specified maturity value at the maturity date.

In addition to the guaranteed maturity value, certificate holders are entitled to additional amounts when declared at the discretion of the directors. Full provision has been made for all additional credits declared.

Additional provisions for instalment certificates are estimated by the Company and represent the excess of amounts provided for instalment certificate maturities over the ultimate cash requirement and are taken into income as realized.

(g) Distribution fee income and deferred selling costs

Selling costs relating to the sale of investment certificates may exceed the distribution fees received in the first year; the excess is applied as a reduction in the certificate liabilities. Selling costs equal to the amount of the distribution fees are amortized over the life of the certificates. The excess selling costs are amortized over 60 months on a straight-line basis. At December 31, 1982, the unamortized excess selling costs are \$4,152,000 (1981 - \$3,687,000).

Salesmen's commissions and certain branch operating costs relating to the sale of guaranteed investment certificates are deferred. These deferred costs are amortized over the term of the applicable investment certificates and over three years on a straight-line basis respectively. At December 31, 1982 the unamortized portion of these costs is \$541,000 (1981 - \$658,000).

1. Summary of significant accounting policies (continued)

(h) Excess of cost of investment in subsidiaries over acquired equity in net assets

The excess of cost of investment in subsidiaries over acquired equity in net assets is recorded at cost.

(i) Income taxes

The Company follows the tax allocation basis of accounting for income taxes. Deferred income taxes shown on the financial statements represent taxes deferred as a result of claims made in excess of charges in the accounts for capital cost allowance and mortgage reserves.

2. Securities

Details are as follows:

	1982		1981	
	Market	Cost	Market	Cost
Bonds				
Government	\$ 61,820,000	\$ 67,354,000	\$ 47,010,000	\$ 63,919,000
Corporate	23,753,000	26,487,000	14,878,000	19,413,000
	85,573,000	93,841,000	61,888,000	83,332,000
Stocks	30,850,000	39,185,000	44,056,000	54,939,000
	<u>\$ 116,423,000</u>	<u>\$ 133,026,000</u>	<u>\$ 105,944,000</u>	<u>\$ 138,271,000</u>

3. Due from parent company

Due from parent company consists of loans bearing interest at rates from 12.625% to 16% and with no specified terms of repayment.

4. Fixed assets

Details are as follows:

	1982			1981
	Cost	Accumulated Depreciation	Net	Net
Furniture and equipment	\$ 1,753,000	\$ 475,000	\$ 1,278,000	\$ 1,133,000
Leasehold improvements	5,126,000	1,320,000	3,806,000	3,642,000
Computer equipment	2,354,000	490,000	1,864,000	1,494,000
	<u>\$ 9,233,000</u>	<u>\$ 2,285,000</u>	<u>\$ 6,948,000</u>	<u>\$ 6,269,000</u>

5. Notes and mortgages

Notes and mortgages bear interest at rates ranging from 10.25% to 23.25% and mature from 1983 to 1988. The aggregate amount of principal payments required to meet long-term obligations in each of the next five years are as follows:

1983	\$ 29,840,000
1984	11,006,000
1985	8,194,000
1986	1,207,000
1987	850,000

Interest on the notes and mortgages for the year amounted to \$6,993,000 (1981 - \$3,356,000).

6. Capital stock

			1982	1981
Authorized	—	200,000 7% cumulative first preferred shares of a par value of \$25 each, redeemable at \$26.75		
	—	200,000 6% non-cumulative redeemable second preferred shares of a par value of \$25 each, issuable in series with Series 1 redeemable at \$26.50		
	—	1,000,000 common voting shares of no par value		
	—	1,000,000 common class A non-voting shares of no par value		
Issued	—	100,000 7% cumulative first preferred shares	\$ 2,500,000	\$ 2,500,000
	—	108,000 6% second preferred, Series 1 shares	2,700,000	2,700,000
	—	1,000,000 common voting shares	500,000	500,000
			<u>\$ 5,700,000</u>	<u>\$ 5,700,000</u>

7. Future income tax benefits

As at December 31, 1982, certain subsidiary companies have loss carry-forwards for income tax purposes of approximately \$10,166,000 available for deductions against future years' taxable income. These loss carry-forwards expire as follows:

Year ending December 31, 1983	\$ 134,000
1984	573,000
1985	176,000
1986	1,887,000
1987	7,396,000
	<u>\$ 10,166,000</u>

8. Commitments

The Company has lease commitments on the premises occupied by its head office and financial centres amounting to approximately \$1,708,000 (1981 - \$1,717,000) per annum. The terms of the leases vary from four to fourteen years.

9. Related party transactions

Transactions with related parties comprise the following:

- (i) The Company and its subsidiaries provide investment management services to four mutual funds. These services are provided in the normal course of business at competitive rates.
- (ii) The Company advances funds to its parent company at competitive rates.
- (iii) The Company paid management fees to its parent and affiliated companies and remuneration to its directors and senior officers of \$1,905,000 (1981 - \$1,674,000).
- (iv) The Company has loans and mortgages due from directors and senior officers; none of which are material.

10. Comparative figures

Certain comparative figures for 1981 have been reclassified to conform with the classification used in the current year.

AUDITORS' REPORT

The Shareholders,
Principal Group Ltd.

We have examined the consolidated balance sheet of Principal Group Ltd. as at December 31, 1982 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The prior year figures have been reported upon by other auditors.

Edmonton, Alberta,
September 22, 1983.


Chartered Accountants

Principal Consultants continues to maintain its rapid growth through the development of its financial consultants. These professionals have been trained to help their clients chart a sensible route to financial freedom.

Principal Consultants Ltd. (PCL) is a registered broker that distributes most of the products and services offered by the member companies of Principal Group. The company has some 200 licensed financial consultants in 33 locations across Canada, who provide investment consulting to the public. Like travel agents, they help clients determine where they want to go, how long they have to get there, and the best route or investment alternatives to use.

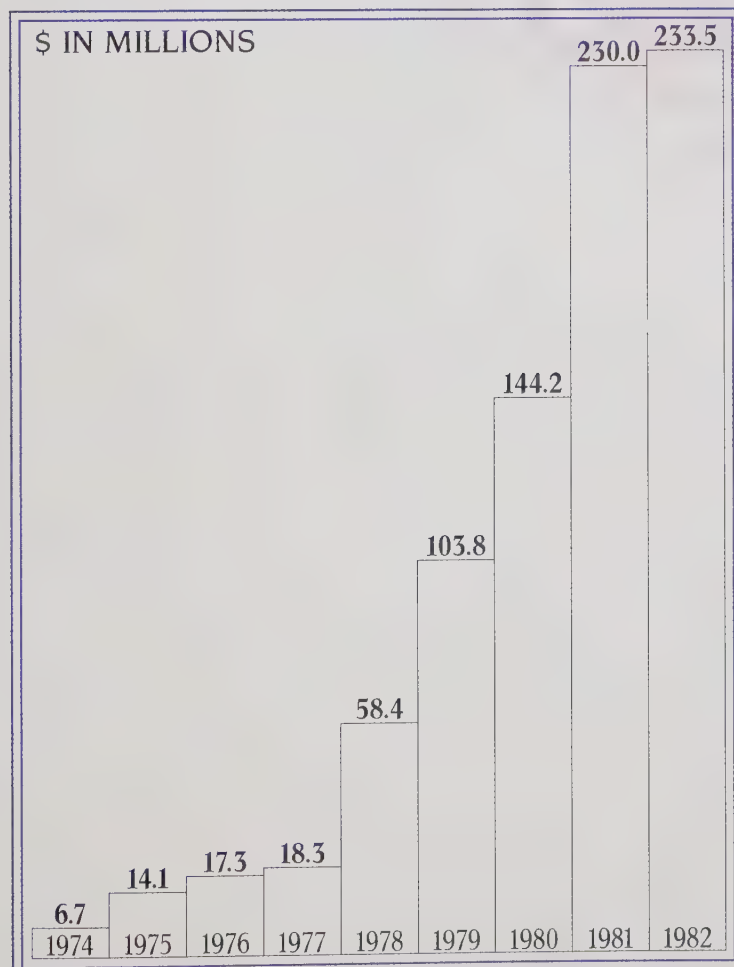
HIGHLIGHTS

PCL President Kenneth N. Marlin has led Principal Consultants to yet another record with cash sales of \$233.5 million in 1982. Sales volume (an adjustment made to reflect distribution income) also reached a record level of \$70.1 million.

SALES
STRATEGY
SUCCESSFUL

CASH SALES

Principal Consultants



From the inception of the company in 1954 and until the end of 1977, the thrust of Principal's sales effort has been focused on accumulation savings plans. In early 1978, management implemented a new strategy of concentrating on the sale of larger single payment investment. The objective of this strategy was to provide a greater number of clients with an opportunity to obtain above-average returns by investing in a diversified portfolio that provides liquidity, protection, safety and growth. Management also determined that the company would be able to meet its objective of \$1 billion in assets by 1984 only through a dramatic increase in cash sales.

The strategy has been a resounding success. Cash sales have increased 1176.0 per cent since the change in strategy at the end of 1977. There has been a 3385.1 per cent increase in cash sales since 1974.

Principal Consultants is determined to expand rapidly to meet the increasing demands for Principal's products and services. The company will continue to offer personalized service by assisting its clients in setting financial objectives and by investing in a diversified portfolio.

Principal Consultants' rapid growth requires a continuous search for qualified consultants and managers. Principal offers exceptional opportunities for highly motivated individuals.

PRINCIPAL CONSULTANTS' PRESIDENT'S CLUB

Each year, Principal honors this select group of individuals who have best served our clients. The members of this exclusive club have demonstrated professional excellence and leadership in their industry. Principal is proud of these men and women and the way they have served their clients and the company.

For the third year in a row Don Slater is President of the President's Club, in recognition of his achievements as the company's top financial consultant.



DON SLATER - PRESIDENT
Calgary



CHRISTINE POTUZAK
Vancouver



WALTER GREEN
Calgary



HOWARD TAYLOR
Calgary



WALLY NOBLE
Calgary



CATHY DORN
Regina



CHRIS WALLACE
Vancouver

INVESTMENT FUNDS AND INVESTMENT MANAGEMENT SERVICE



Principal's four investment funds have helped their investors achieve their financial objectives by outperforming the markets over the last eight years.



Principal's four investment funds (Principal Venture Fund Ltd., Collective Mutual Fund Ltd., Principal Growth Fund, and Principal Bond Fund) provide clients with an opportunity for growth. As well, they offer clients full-time professional management, diversification of risk, and a hedge against inflation and tax advantages.



According to a recent survey Principal Venture Fund was among the top four performing mutual funds in Canada. The net asset value of Principal Venture Fund (PVF) increased from \$7.74 to \$8.79 in the last year. In addition, a capital gains dividend of \$.6460 per share was paid to shareholders on January 22, 1982. Including the reinvested dividend, Principal Venture Fund increased 24.5 per cent during 1982. For the past eight years PVF has increased 521.9 per cent, representing a 25.7 per cent compound annual growth rate.

Principal Venture Fund aggressively seeks stocks of U.S. and Canadian companies which will show superior long-term gains rather than short-term windfalls.



Collective Mutual Fund (CMF) was also ranked as one of the top four performing funds in Canada in 1982. The net asset value per share increased from \$13.71 to \$14.25 for the fiscal year ending November 30, 1982. A capital gains dividend of \$2.7405 per share was paid to shareholders on January 22, 1982. Including reinvestment of the dividend, Collective Mutual Fund increased 31.6 per cent. CMF has increased 342.3 per cent for the last eight years, including reinvested dividends. That represents a compound annual growth rate of 20.4 per cent.

CMF invests in any international market that offers blue chip investments at bargain prices. Currently, the fund's investments consist primarily of stocks and convertible bonds in U.S. and Canadian companies.



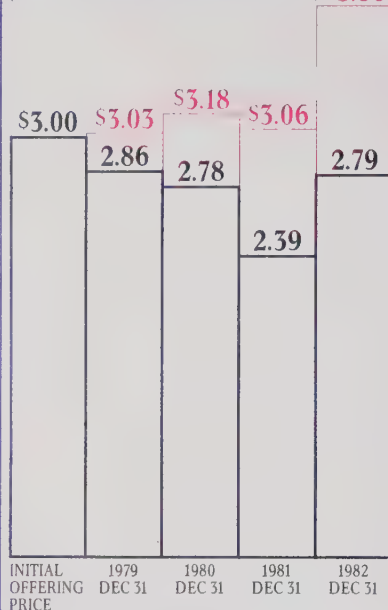
Principal Growth Fund (PGF) ended 1982 at \$6.04. After receiving income and capital gains distributions of \$.1740 per unit in June and \$.2236 per unit in December, unitholders realized a total return of 4.4 per cent during 1982. Thus, the fund outperformed the Toronto Stock Exchange Composite Index. The PGF also continued to show superior returns over the long term. During the past eight years PGF has increased 249.8 per cent for a compound annual growth rate of 16.9 per cent.

Over 90 per cent of the fund's investments are in Canadian securities that provide the potential for above-average capital growth. Principal Growth Fund qualifies for registered retirement savings plans (RRSPs) and pension plans.

Principal Bond Fund

4 YEAR PERFORMANCE

(IN CANADIAN DOLLARS)



In 1982 the net asset value per unit of Principal Bond Fund (PBF) increased from \$2.39 to \$2.79. Including reinvested distributions of \$.1073 per unit on June 30 and \$.09386 on December 31, PBF increased 26.1 per cent during 1982.

The objective of PBF is to provide clients with a high rate of income and capital appreciation potential over the long term. Since more than 90 per cent of the portfolio is in Canadian investments, PBF qualifies for RRSPs and pension plans.

INVESTMENT MANAGEMENT

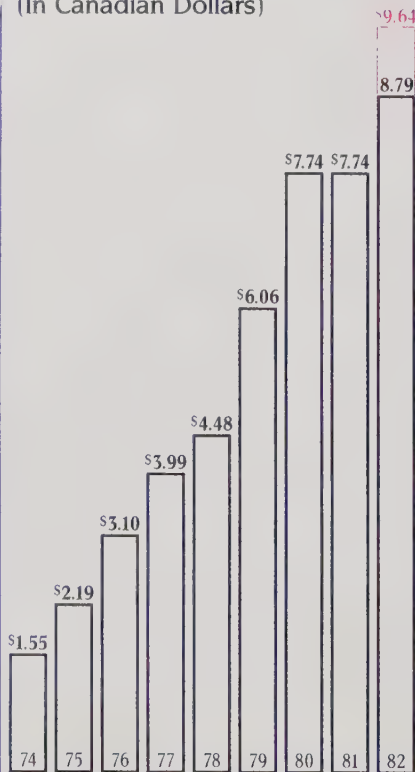
Investment Strategy — Principal Securities Management Limited (PSML) is the investment manager for the investment funds and some of the corporate portfolios of Principal's member companies. PSML also manages large individual investment accounts.

Since 1974, Principal's three equity funds have outperformed both the Toronto and New York markets.

The markets themselves have also been increasing over that period. During the past year the Toronto Stock Exchange Composite Index increased only .2 per cent, but in the last eight years the index has increased 131.9 per cent for a compound annual growth rate of 11.1 per cent. The Dow Jones Industrial Index increased 19.0 per cent in 1982. Over the last eight years, it has increased 69.8 per cent for a compound annual growth rate of 6.8 per cent.

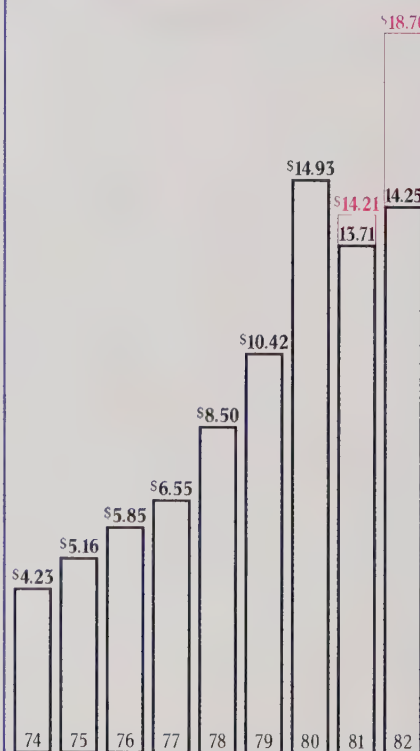
8 YEAR COMPOUND ANNUAL GROWTH RATE 25.7% INCLUDING REINVESTED DIVIDENDS.

Principal Venture Fund (In Canadian Dollars)



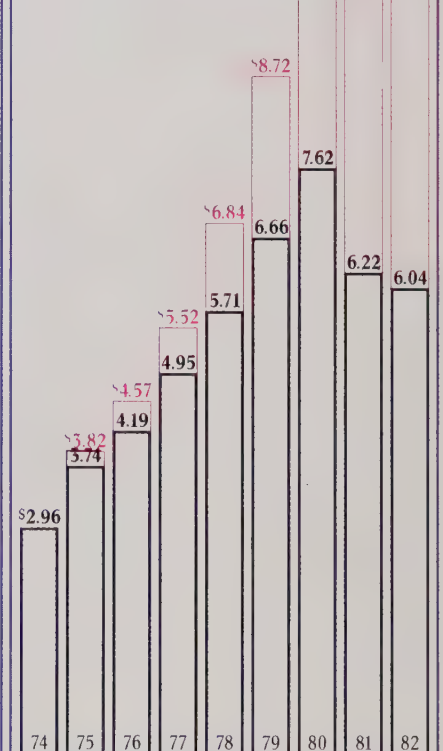
8 YEAR COMPOUND ANNUAL GROWTH RATE 20.4% INCLUDING REINVESTED DIVIDENDS.

Collective Mutual Fund (In Canadian Dollars)



8 YEAR COMPOUND ANNUAL GROWTH RATE 16.9% INCLUDING REINVESTED DISTRIBUTIONS.

Principal Growth Fund (In Canadian Dollars)



Effective value including reinvested distributions

Net asset value per share

PRINCIPAL SERVICES IN THE U.S.

In December, 1982, Principal registered two new mutual funds in the United States: Principal Equity Fund, Inc. and Principal World Fund, Inc. Both funds, as well as three investment certificates, are distributed in the U.S. by Principal Investors Corporation from the company's corporate headquarters in Scottsdale, Arizona. The two U.S. mutual funds are distributed in Canada by Principal Consultants Ltd.

The investment certificates are offered by Principal Certificate Series, Inc. (PCSI) and include two single-pay plans and an accumulation plan. PCSI has been active in the U.S. since 1960.

PRINCIPAL EQUITY FUND, INC.

This fund seeks long-term capital growth by investing primarily in stocks of companies in the United States and Canada.



Scottsdale

PRINCIPAL WORLD FUND, INC.

Our second U.S. fund seeks long-term capital growth by investing in a diversified portfolio of stocks and debt obligations of companies and governments located in the major industrialized countries of the world.



Calgary



Vancouver

INVESTMENT CERTIFICATES AND THRIFT SERVICES

FOLLOWING A PROVEN COURSE

First Investors and Associated Investors continue to grow by offering several alternative routes to financial freedom.

Background

First Investors Corporation Ltd. (FIC) is an investment contract company that offers contractual savings plans, single payment investment certificates and annuities in seven provinces. Founded in 1954, First Investors was the first company in the Group. The company holds assets in excess of 100 per cent of demand liabilities with a Canadian chartered bank as custodian.

Associated Investors of Canada Ltd. (AIC) is also an investment contract company. AIC offers investment certificates, contractual savings plans and annuities in Alberta, British Columbia and Saskatchewan. Associated, the oldest company in the Group, was founded in 1948 and joined Principal in 1962. Assets of both companies are in qualified investments of the type permitted to Canadian incorporated life insurance companies.

Highlights

In the year ending December 31, 1982, First Investors increased its total assets 33.6 per cent to \$238.4 million. Total certificate reserves increased 39.2 per cent to \$225.0 million.

Associated Investors' assets increased 23.8 per cent to \$72.2 million. Certificate reserves increased 26.7 per cent to \$70.2.

Since the two companies changed their strategy in early 1978, First Investors' and Associated Investors' assets have grown 288.9 per cent and 322.2 per cent respectively. That growth represents a five year compound annual growth rate of 31.2 per cent for First Investors and 33.4 per cent for Associated Investors.

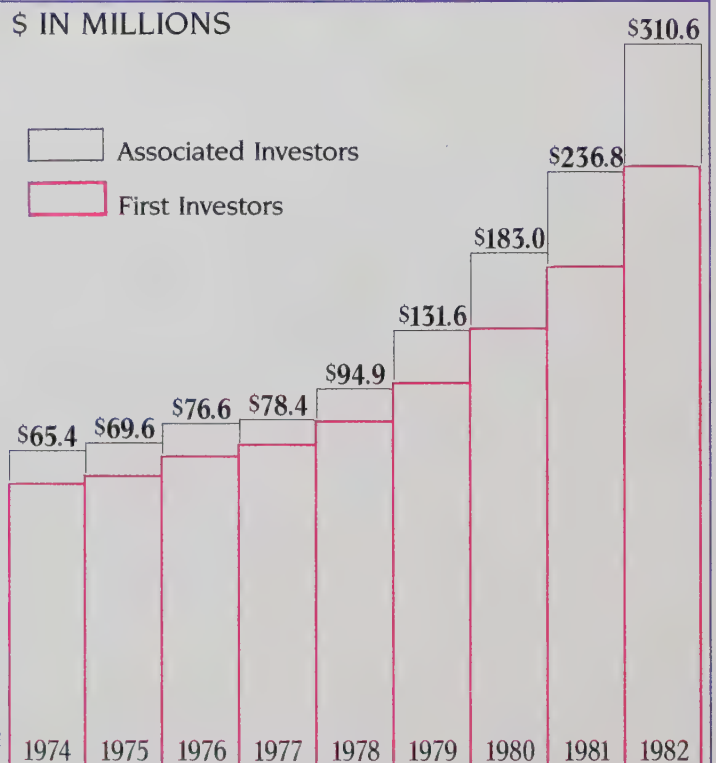
During the last five years management has analyzed trends in the economy and has realigned the companies' investments to take advantage of exceptional investment opportunities in the North American stock markets. Both First and Associated have adopted more dynamic common stock and bond portfolios based upon their parent company's sophisticated economic projections of major market moves in the 1980s.

As a result of this strategy both firms have a high degree of liquidity in non-mortgage investments in addition to well positioned, high yielding mortgage portfolios.

TOTAL ASSETS

\$ IN MILLIONS

Associated Investors
First Investors



MANAGEMENT SERVICES

The foundation on which the pillars of liquidity, safety, growth and protection sit is the management services provided by the parent company — Principal Group Ltd. These services are structured by function, emphasizing the company's areas of operations.

SALES & DEPOSITS

Sales

The sales department provides management services to Principal's distribution arm, Principal Consultants Ltd.

Trust Services

The trust services department is responsible for expanding the Group's retail marketing approach through Principal Trust. It is also responsible for the audio-visual division.

Marketing

This department's responsibilities include advertising, public relations, direct mail marketing, client communications and site selection, construction and opening of Principal Financial Centres. Marketing is responsible for developing the most cost effective ways of bringing funds into the company.

Finance

The finance department, which includes general accounting, customer accounting, and computer information systems is responsible for providing timely information on all aspects of the Group.

INVESTMENTS

The investment department provides management services for seven corporate portfolios, for four investment funds and for managed accounts. An investment committee meets weekly to analyze economic trends, set policy and verify adherence to the policy.

Stock & Bond Department

A sophisticated communications and market analysis system is used to monitor prices and trends in over 4,000 stocks in Canada and the United States. This assists the investment managers in providing some of the best results in Canada.

Mortgages

A diversified portfolio of residential, commercial and construction mortgages is maintained.

EXECUTIVE

Corporate Development

The corporate development department assists the chairman in analyzing and implementing new business opportunities for the Group.

Internal Audit

The role of this department is to safeguard the assets of the company by monitoring all policies and procedures using both on-site inspection and computer audit techniques.

PROFESSIONAL SERVICES

Legal & Taxation

The legal and taxation departments ensure the company is aware of, and in compliance with, the wide range of legislative and tax regulations affecting the company. These departments also ensure that the company avails itself of every opportunity that new provisions and laws permit.



Behind (left to right) Gary Smith, *Legal Counsel*; Robert Langston, *Director of Taxation*; Don R. Cormie, *Vice-President, Institutional Sales*; Donald M. Cormie, *President*; John Cormie, *Vice-President, Trust Services*; Kenneth Marlin, *Sr. Vice-President, Sales*; James Cormie, *Vice-President, Investment*.

Front (left to right) Archie Campbell, *Vice-President, Finance*; Josef Schachter, *Manager, Equity Investments*; Christa Petracca, *Vice-President, Corporate Development*; John Hickey, *Vice-President, Marketing*.



(Left to right) James Gilhooly, *Principal Consultants Ltd. Vice-President*; Lorne Richards, *Atlantic area Vice-President*; Grant Mitchell, *Principal Consultants Ltd. Vice-President*; Colin Rich, *Prairie area Vice-President*; Louis Gratton, *Northlands area Vice President*; Robert Keats, *Pacific area Vice-President*; Wally Noble, *Foothills area Vice-President*; James Mead, *Mountain area Vice-President*.



Head Office
Edmonton

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103, 591 Bernard Avenue
(604) 763-7211

Nanaimo
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(604) 754-3421

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No. 201, 615 - 8th Street
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Penticton
210 Main Street
(604) 492-8134

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(604) 687-2356

800 - 625 Howe Street
(604) 669-4303

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(604) 542-5347

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1111 Blanshard Street
(604) 386-5232

*Principal Financial Consultants also
located in Prince George.*

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(403) 237-0670

816 - 5th Avenue S.W.
(403) 264-3474

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10025 Jasper Avenue
(403) 428-6003

Main Floor, Principal Plaza
10303 Jasper Avenue
(403) 421-8101

902, 10025 Jasper Avenue
(403) 423-3237

9945 - 50 Street
(403) 468-2422

Centennial Mall
Stony Plain Road & 170 Street
(403) 484-3339

5528-104 Street
(403) 438-5570

GRANDE PRAIRIE
10109 A Richmond Avenue
(403) 538-4000

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101, 740 - 4th Avenue South
(403) 329-4444

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(403) 343-8488

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located in Medicine Hat.*

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MOOSE JAW
351 Main Street N.
(306) 693-7520

REGINA
Cornwall Centre
(306) 352-0601
700 Midtown Centre
(306) 525-9104

SASKATOON
259 - 3rd Avenue S.
(306) 664-1194

NEW BRUNSWICK

MONCTON
Main Street Highfield Square
(506) 388-1285

NEWFOUNDLAND

ST. JOHN'S
Avalon Mall, Level II
(709) 726-0782

NOVA SCOTIA

HALIFAX
6169 Quinpool Road
Quinpool Centre
(902) 429-2120

No. 107, 6080 Young Street
(902) 453-2030

KENTVILLE
57 Webster Street
(904) 678-1971

*Principal Financial Consultants also
located in North Sydney.*

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